HEALTH CARE FINANCING ADMINISTRATION					
	1. TRANSMITTAL NUMBER: 2. STA	ATE:			
TRANSMITTAL AND NOTICE OF APPROVAL OF	9 8 — 0 0 <u>9</u> Mic	higan			
STATE PLAN MATERIAL	3. PROGRAM IDENTIFICATION: TITLE XIX (OF THE SOCIAL			
FOR: HEALTH CARE FINANCING ADMINISTRATION	SECURITY ACT (MEDICAID)				
TO: REGIONAL ADMINISTRATOR	4. PROPOSED EFFECTIVE DATE				
HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	9/28/98	9/28/98			
5. TYPE OF PLAN MATERIAL (Check One):					
□ NEW STATE PLAN □ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☑ AMENDMENT					
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMEI	NDMENT (Separate Transmittal for each amendmen	nt)			
6. FEDERAL STATUTE/REGULATION CITATION:	7. FEDERAL BUDGET IMPACT:				
1902(A)(10)(a)(ii)(XIV) of the act	a. FFY <u>1998</u> \$ b. FFY <u>1999</u> \$				
A DAGE NUMBER OF THE BLAN OF THOM OR ATTACHMENT.	9. PAGE NUMBER OF THE SUPERSEDED F	PLAN SECTION			
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:	OR ATTACHMENT (If Applicable):				
		••			
Attachment 4.19-A, pp. 17, 18a, and 19	Attachment 4.19-A, pp. 17 and	19			
10. SUBJECT OF AMENDMENT:					
Creation of local DSH pools.					
11. GOVERNOR'S REVIEW (Check One):					
☑ GOVERNOR'S OFFICE REPORTED NO COMMENT ☐ OTHER, AS SPECIFIED:					
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED					
☐ NØ REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL					
12. SIGNATURE OF STATE AGENCY OFFICIAL:	16. RETURN TO:				
	Michigan Department of Community Health				
13. TYPED NAME:	Medical Services Administration	•			
James K. Haveman, Jr.	P.O. Box 30479				
14. TITLE:	Lansing, MI 48909-7979				
Director					
15. DATE SUBMITTED:					
9/29/98					
FOR REGIONAL OF	18. DATE APPROXED				
17. DATE RECEIVED: 9/30/98	18.0412 41110/2/6 /0/				
PLAN APPROVED - C	ONE COPY ATTACHED				
19. EFFECTIVE DATE OF APPROVED MATERIAL:	20. SIGNATURE OF REGIONAL OFFICIAL:				
9-28.98	Cought sa	wo			
21 TYPED NAME:	22. TITLE: Associate Regional Adminis				
Cheryl A. Harris	Division of Medicaid and Children's Health				
23. REMARKS:	RECEIV	ED			
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HCFA-V-DMSO

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT State: MICHIGAN

POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES (INPATIENT HOSPITAL SERVICES)

Hospital operating cost ratios will be taken from hospital cost reporting periods ending between October 1, 1994 and September 30, 1995. For hospitals with more than one cost reporting period ending in this date range will have their data from the two periods added and a single ratio will be computed. If the ratio is greater than 1.0, a ratio of 1.0 will be used.

Reimbursement for inpatient services under Title V will not include DSH payments.

In order to qualify for DSH payments, hospitals must have at least one percent Medicaid inpatient days to total inpatient days.

Hospitals that fail to supply indigent volume data will not be eligible to receive disproportionate share payments.

For new hospitals, disproportionate share payments will be withheld until the hospital's indigent volume can be calculated and applied in the normal update process.

For new distinct part psychiatric units of general hospitals, the indigent volume data from the general hospital will be used to determine DSH payments applicable to the distinct part psychiatric units until the unit's indigent volume can be calculated and applied in the normal update process.

To be eligible to receive DSH payments, hospitals must also meet at least one of the following criteria. Except for hospitals and distinct part psychiatric units eligible under the fourth criteria (>) listed below, hospitals will be contacted annually by letter and asked to report their status on these criteria.

The hospital must:

1.

Regular DSH Pools

- have at least two (2) obstetricians with staff privileges at the hospital who have agreed to provide obstetric services to individuals who are eligible for Medicaid services; or
- be located in a rural area (as defined for purposes of section 1886 of the Social Security Act) and have at least two (2) physicians with staff privileges at the hospital who have agreed to provide obstetric services to individuals who are eligible for Medicaid services; or
- serve as inpatients a population predominantly comprised of individuals under 18 years of age; or
- ➤ as of December 22, 1987, not have offered non-emergency obstetric services to the general population.

TN No. 98-09 Supersedes	Approval	Effective Date 9/28/98
TN No. 98-08		

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT State: MICHIGAN

POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES (INPATIENT HOSPITAL SERVICES)

survey data. The share of the DSH paid to hospitals with IV of at least 20% is based on a DSH share of:

Title XIX Charges x Operating Ratio x (IV - 0.2)

c. Distinct Part Rehab Units

Title XIX Charges x Operating Ratio x (IV - 0.2)

2. Local DSH Pools

Separate DSH pools will be created annually for geographic areas covered by an Indigent Care Agreement (ICA) approved by the Director of the Medical Services Administration. Each pool will be established based upon local funds transferred to the state by one or more counties specifically for this purpose, the proportionate share of state dollars previously appropriated for such purposes (during the most recent state fiscal year for which this data is available) for the geographic area covered by the ICA, and federal financial participation funds. After the initial year, state contributions will be based on the state's initial year contribution updated annually for inflation. The inflation rate will be the same rate as experienced by the State Medical Program (SMP). Local contributions will be limited to 60% of the state and local match. Pool size will be determined annually.

DSH payments will be made to hospitals with approved ICAs between themselves and non-governmental entities established to provide medical care for the indigent population in eligible counties. Counties where approved ICAs exist will be excluded from participation in the SMP. An approved ICA must include, at a minimum, provision for medical services for those individuals who would otherwise qualify for coverage under the SMP. Medical services provided under an ICA must equal or exceed that provided by the SMP.

One quarter of the annual payment to eligible hospitals participating in an approved plan will be made at the beginning of each state fiscal quarter. To be eligible, hospitals must meet minimum federal requirements for Medicaid DSH payments (found earlier in this section) and have an approved ICA in place. The DSH payment ceiling must be specified in the ICA. Local funds must be transferred to the state before a payment based on local funds will be made to a hospital.

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Approval	DMCH - MI/MN/W	

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TN No. 98-09 Supersedes

TN No. 98-08

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT State: MICHIGAN

POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES (INPATIENT HOSPITAL SERVICES)

I. Capital

The initial reimbursement for capital will be paid as a separate Capital Interim Payment (CIP). CIPs will be made using a semimonthly schedule (24 payments per year). The CIP amount will be set using the most recent available cost data and an estimated impact of any applicable limits on capital. CIP amounts will be set annually at the beginning of the hospital's fiscal year. CIPs may be adjusted due to significant changes in capital costs that are not reflected in the most recent cost report.

After the end of the facility's fiscal year, the total amount paid under CIP is compared with total capital cost as reported on the filed cost report for that year less any capital limits that apply. Differences are gross adjusted.

If a hospital has a separate distinct part psychiatric unit, separate CIPs, comparisons to actual costs and determination of appropriate limits will be made for the distinct part unit and the balance of the inpatient hospital.

The Medicaid share of allowable capital costs is determined using Medicare Principles of Reimbursement.

The limits on capital described in this section apply for fiscal years beginning on and after October 1, 1990. The net licensed beds days calculation for hospitals whose fiscal year begins after September 30, 1990 and before January 1, 1991 and that reduce their licensed bed capacity by delicensing beds or using the rural banked beds option before January 1, 1991 will be made as if the reduction occurred on October 1, 1990.

Net licensed beds are used to determine net licensed bed days for capital reimbursement and include all beds temporarily delicensed, except for rural banked beds, with rural as defined under section 2 below. Net licensed bed days are:

Total Licensed Bed Days - Rural Banked Bed Days

A hospital may apply for a reduction in net licensed beds days to subtract bed days unavailable due to construction or renovation. Such a reduction is only available for beds which are taken out of service for construction or renovation for a limited period of time and

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111 110	Approval	Effective Date <u>9/28/98</u>
Supersedes		
TN No. 98-08		